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ages in which those states respectively share according to the repartition of the said sums established by Art. 2 (a) and (b) of the agreement signed at Spa on the 16th July, 1920.

4. The Reparation Commission shall divide the Series "C" bonds handed over under the last preceding clause among the Powers, other than the Powers by whom the bonds are handed over, entitled to share in reparation payments in the same proportions as the interest of those Powers in bonds to be distributed under clause 1 of this agreement.

5. Nothing in this agreement shall affect the distribution of receipts from Austria, Hungary or Bulgaria on account of reparation or any adjustments to be made of any bonds of the said Series "C" in consequence of such receipts.

If one of the Powers to which territories of Austria and Hungary have been ceded has not available Series "C" bonds in sufficient quantity to carry out the adjustments provided for above the value of the possessions which have been transferred to such Power and its contribution to the costs of liberation shall be discharged, in so far as they cannot be satisfied by the delivery of Series "C" bonds, in accordance with the provisions of the agreement of 10th September, 1919, as modified by the agreement of 8th December, 1919.

6. This agreement cancels all previous arrangements between the high contracting parties whether contained in the said agreements of September and December, 1919, or the agreement of Spa of the 16th July, 1920, or otherwise, in so far as such arrangements may be in conflict with the provisions of this agreement.

The provisions of Articles 2, 3 and 4 of this agreement shall not come into force until Czecho-Slovakia and Poland shall have discharged their respective obligations under the said agreements of September 10th and December 8th, 1919, regard being had in so far as Poland is concerned to Article 10 of the Spa agreement.

DECISION OF THE REPARATION COMMISSION ON THE SUBJECT OF THE PAYMENTS TO BE MADE BY GERMANY IN 1922¹

(1) *The Reparation Commission to the German Government*

Reparation Commission,
Paris, March 21, 1922.

The Reparation Commission has the honor to notify to the German Government the attached decision which it has reached to-day.

(Signed) DUBOIS.
J. BRADBURY.
D'AMELIO.
DELACROIX.

¹ British Parliamentary Papers, 1922 (Cmd. 1634).

(Translated from the original text in French)

March 21, 1922

The Reparation Commission,

Having had before it the request for postponement contained in the letter of the 14th December, 1921, from the German Chancellor, as well as the documents submitted on the 28th January, 1922, by the German Government in support of this request, in execution of the decision adopted by the Reparation Commission on the 13th January, 1922, and after giving the German Government a just opportunity of being heard,

Acting in virtue of the powers conferred upon it by Articles 234, 236, 240, 248 and 251, and by paragraphs 12, 19 and 19 *bis* of Annex II to Part VIII of the Treaty of Versailles, as well as of the powers delegated to it by the Allied Governments for the execution in their name of Article 249 of the said treaty,

Considering that the financial situation in which the German Government had allowed itself to become involved makes it impossible for it to discharge in their entirety Germany's obligations for 1922 as set forth in the schedule of payments of the 5th May, 1921, on the one hand, and in Article 249 of the Treaty of Versailles on the other, and at the same time to rehabilitate the finances of the commonwealth sufficiently to ensure the regular discharge of its obligations in subsequent years,

Decides that:

I

Germany shall pay, in 1922, in respect of the schedule of payments of the 5th May, 1921, as well as in respect of Article 249 of the Treaty of Versailles (exclusive of the obligations imposed upon her by Articles 8 to 12 of the arrangement of the 28th June, 1919²):

(a) 720 million gold marks in cash.

The above sum includes the sum of 281,948,920 marks 49 pfennigs gold, representing the cash payments already made by Germany towards the instalments required by the Reparation Commission in 1922.

The balance, that is, 438,051,079 marks 51 pfennigs gold shall be paid in the following instalments:—

18,051,079 marks 51 pfennigs gold on the 15th April, 1922.
50,000,000 gold marks on the 15th May, 1922.
50,000,000 " " " " 15th June, 1922.
50,000,000 " " " " 15th July, 1922.
50,000,000 " " " " 15th August, 1922.
50,000,000 " " " " 15th September, 1922.
50,000,000 " " " " 15th October, 1922.
60,000,000 " " " " 15th November, 1922.
60,000,000 " " " " 15th December, 1922.

² Printed in SUPPLEMENT to this JOURNAL, October, 1919 (Vol. 13), p. 404.

Any sums paid in cash by Germany to the Reparation Commission up to the 15th December, 1922, inclusive, and any other sums payable in cash to the Reparation Commission which, under the terms of decisions already adopted or to be adopted by the latter, fall to be credited against the annuity liability of Germany for 1922 as laid down by Article 4 of the schedule of payments, shall be deemed to be cash paid towards the above instalments.

(b) In kind: the equivalent in goods of 1,450 million gold marks, of which 950 millions shall be delivered to France and 500 millions to the other Allies, in so far as France or the other Allied Powers, or their respective nationals, may call for such deliveries under the procedure of the treaty or any procedure approved by the Reparation Commission.

The proceeds of the British "Reparation (Recovery) Act"³ and of any similar legislation enacted or to be enacted by the other Allied Governments in execution of the decision of the Allied Governments of the 3rd March, 1921, shall be deemed to be payment in kind.

If the Reparation Commission finds, in the course of the year 1922, that deliveries in kind called for by France or her nationals or by any other Power entitled to reparation or its nationals in accordance with the procedure laid down by the treaty or in virtue of a procedure approved by the Reparation Commission and within the limits of the figures above indicated have not been effected by reason of obstruction on the part of the German Government or on the part of its organizations, or by reason of a breach in the procedure of the treaty, or in a procedure approved by the Reparation Commission, additional equivalent cash payments shall be exacted from Germany at the end of 1922 in replacement of the deliveries not effected.

II

The payments in kind effected by Germany to a Power which is a creditor of Germany in respect of the costs of an army of occupation between the 1st May, 1921, and the 31st December, 1922, shall first be charged, to the due amount, with the costs of the armies of occupation during the same period, and only the balance shall be reckoned together with the cash payments as available towards meeting the reparation annuity as laid down by Article 4 of the schedule of payments of the 5th May, 1921.

III

The difference between the sums due in virtue of the schedule of payments and in respect of the armies of occupation and the sums actually paid in 1921 and 1922 shall, together with interest at 5 per cent. per annum, remain an obligation upon Germany to be discharged in addition to the annuities under the schedule of payments as soon as the Reparation Commission shall consider this within her capacity.

³ Printed herein, p. 210.

IV

The postponement hereby granted is in the first instance provisional only.

The commission will, on the 31st May next, examine the progress made by the German Government towards satisfying the conditions laid down in the Reparation Commission's letter of even date and will thereupon confirm or cancel this provisional postponement.

If it is cancelled, the amounts provisionally postponed under the decision of the 13th January, 1922, and under this decision, will become due and shall be paid within fourteen days of the date of cancellation, failing which paragraph 17, Annex II to Part VIII of the treaty shall come into force.

If, however, this provisional postponement is confirmed, and if the Reparation Commission is subsequently satisfied that Germany has failed to carry out the conditions laid down, the postponement will be cancelled, and the schedule of payments, as communicated to Germany on the 5th May, 1921, will again come into operation as from the date of cancellation.

(2) *The Reparation Commission to the Chancellor of the Reich*

(Translated from the original text in French)

March 21, 1922

The Reparation Commission, in notifying to the German Government their decision No. 1841 in respect of the payments to be made by Germany during 1922, makes the following observations in regard to the Chancellor's letter of the 28th January, 1922.

The commission notes the declarations made by the Chancellor in regard to the suppression of all subsidies on food, and to the increase of the postal and railway tariffs with a view to balancing the expenditure and receipts of State undertakings. At the same time, even if it could be supposed, as would not appear to be the case, that plans had been laid for the immediate and complete realization of such a programme, it is far from being adequate either to the German obligation or to the German capacity. The Reparation Commission most clearly warns the German Government that it expects a much more radical reform of the finances of Germany and a final abandonment of the mistaken policy hitherto followed.

The ordinary administrative budget of the Reich shows a balance of 16½ milliard paper marks after providing for an expenditure of 83 milliards. The German Government propose to apply this balance towards meeting the cost of reparation and other peace treaty charges. But, on the other hand, the extraordinary administrative budget shows a deficit of some 3 milliard marks, and the budget for the administration of public services a deficit of 9¼ milliards.

The budget for peace treaty charges as submitted (after taking credit for 16½ milliards surplus transferred from the ordinary administrative budget), exhibits a deficit of no less than 171 milliard paper marks, making, with the

deficit on the extraordinary administrative budget and budget for administration of public services, a total deficit of 183 $\frac{1}{4}$ milliards.

The deficit of 171 milliards on the peace treaty budget is, it is true, based, as regards the reparation liability, on the schedule of payments. The provisional postponement today accorded by the Reparation Commission in respect of the 1922 payments may be expected to reduce this deficit by approximately 45 milliards. On the other hand, the budget calculations are based on an exchange of 45 paper marks to 1 gold mark as against the current rate of 70. The net estimated deficit of 126 milliards will, therefore, be largely exceeded unless a substantial improvement in the value of the paper marks can be effected.

It is stated, indeed, that an internal compulsory loan is contemplated, but no project has been placed before the commission which can be regarded by them as in any way likely to afford the requisite guarantee that the treaty charges will be met.

The commission is of opinion that the treaty charges must be progressively and rapidly incorporated in the budget, in so far as Germany's revenues can cover them, and that German capital must make up the balance either by means of a loan or a direct levy.

The commission considers that as from 1922 onward the budget must cover a large part of the reduced payments prescribed by the decision referred to above; the balance as indicated above must be contributed by capital.

It is with the object of facilitating the task of the German Government in this respect that the commission has taken its decision. It must, however, be understood that the scheme of payments for 1922 therein laid down is provisional, and that the postponement provisionally granted can only be definitely maintained if Germany strictly observes the conditions imposed upon her.

These conditions are as follows:—

I. BUDGET OF THE REICH

(A) RESOURCES

Measures to be Adopted

(a) Each of the measures announced by the German Government's note of the 28th January, 1922, which, according to the note, are to come into force at fixed dates, shall be taken at the date in question; if this date has passed without the measure having been taken, it shall be taken within fifteen days of the present notification.

(b) The new taxes and charges contained in the programme of the 26th January, 1922, generally known in Germany as the "fiscal compromise," shall be voted and applied before the 30th April, 1922.

(c) The German Government must at once prepare and put into force such a scheme of increased taxation as will provide during the currency of

the Budgetary year 1922-23 a sum of at least 60 milliards paper marks in addition to the revenue contemplated in the Budget.

This scheme must have been voted and be in force before the 31st May, 1922, and must secure the actual collection of not less than 40 milliards of additional revenue before the 31st December, 1922.

(d) In the opinion of the Commission, it is for the German Government to choose the sources from which the new revenue is to come. Nevertheless, the Commission impresses upon the German Government the necessity of adopting a scheme which will avoid as far as possible a new and complicated assessment of the resources of individuals. In this connection, the Reparation Commission particularly invites the German Government to consider the possibility of some arrangement under which the rates of taxation would be automatically increased in proportion either to any further increases in the debt of the German Government to the Reichsbank or to the diminution of the internal purchasing power of the mark.

Control

(a) All legislative or administrative measures adopted in execution of the above provisions shall be immediately communicated by the German Government to the Reparation Commission.

(b) The measures for the application of German legislation determining taxes and tariffs as it may be established after carrying out the programme set forth above shall be discussed between the delegates of the German Government and those of the Reparation Commission. The latter shall, through the Committee of Guarantees exercise at each stage a control sufficiently thorough to enable it at all time to satisfy itself as to the application of this legislation, and more especially as to the work of assessing and collecting the taxes, and to detect any defects therein. If occasion arises, it will request Germany to take the measures necessary to remedy the defects detected and will take action in case Germany does not, within a reasonable time, adopt measures which the Commission considers to be sufficient.

(B) REDUCTION OF EXPENDITURE

Measures to be Adopted

The German Government shall carry out and submit to the Reparation Commission within one month of the present notification a revision of the expenditure entered in the draft budget for 1922, which it submitted as an appendix to its note of the 28th January, 1922.

A serious effort, for which only preliminary preparations are made in the scheme enclosed with the communication of the 28th January, may and must be made towards the reduction of expenditure on the public services, the suppression of subventions and subsidies and of expenditure on public works not urgently required, of sumptuary expenses, of the share in the expenses of various administrative and other organizations, etc.

The expenditure shall in no case exceed, either for the total budget or for any chapter thereof, the sums entered in the budget of expenditure thus revised, save in exceptional cases and after corresponding credits have been duly voted; in such cases the Reparation Commission shall receive immediate notification.

The German Government shall undertake not to transfer to local budgets any service or category of expenditure at present included in the budget of the Reich, under the terms of the draft budget of 1922, enclosed with the note of the 28th January, 1922.

Control

The German Government shall draw up, in agreement with the Reparation Commission, a scheme for the control of the expenditure provided for in the budget, in such a way as to prevent the credits from being exceeded and so as to show clearly the actual use to which the funds are put. The Committee of Guarantees will check the functioning of this control.

II. LOANS AND LEVY ON CAPITAL

(a) Internal Loans

The German Government shall, before the 30th April, 1922, prepare a scheme for the issue of internal loans other than treasury bills discounted by the Reichsbank and for an amount sufficient to cover the budget deficit until the budget can be balanced by means of the receipts from taxes.

(b) Foreign Loans

The important question of loans to be contracted by Germany in order to enable her to redeem a portion of her capital reparation debt will form the subject of a separate communication.

If a portion of Germany's debt cannot be mobilized by such loans within a reasonable period, the German Government shall, in cooperation with the Reparation Commission, examine the measures necessary to effect a capital payment by other means, in particular, by a levy on the actual movable and immovable property of Germany.

III. MIGRATION OF CAPITAL

The German Government shall submit to the Reparation Commission, before the 30th April, 1922, a scheme for preventing the abuses in the exportation of capital.

The special object of this scheme must be to render more effective the functioning of the organization created by the German Government for the collection of the foreign currencies obtained by exports and services of every kind, and in general to make sure that the value of exports is returned to Germany.

The Committee of Guarantees will draw up with the German Govern-

ment a scheme for the strengthening and development of the control which it at present exercises over exports and the collection of currencies to such extent as may be necessary to ensure the effective supervision of the execution of the measures referred to above.

Finally, the German Government shall take all possible steps to obtain the return to Germany of the capital already exported.

In view of the importance which the Reparation Commission attaches to the question of preventing the future migration of capital and of ensuring the return to Germany of the capital already exported, this question will be the subject of further examination separately by the Reparation Commission. The application by the German Government of the supplementary measures which the Reparation Commission may think it necessary to require is one of the conditions of the postponement.

IV. AUTONOMY OF THE REICHSBANK

The German Government shall adopt, in time for it to come into force before the 31st May, 1922, the legislation necessary to ensure, to the satisfaction of the Reparation Commission, the complete independence of the Reichsbank from the German Government.

V. STATISTICS

The German Government will, before the 31st May, 1922, resume the preparation and publication of its economic and financial statistics, in the same form and at the same intervals as before the war. It will also prepare at such intervals as may be determined by the Reparation Commission in each case, any new statistics or any new presentation of statistics in existence before the war as the commission may consider to be useful with a view to the execution of the treaty and in particular of the present provisions.

The German Government shall, in collaboration with the Committee of Guarantees, see that the statistics are presented under conditions which will facilitate the work of the Reparation Commission.

The German Government shall place at the disposal of the committee all documents and information necessary for the accomplishment of its task, and shall give it every facility for carrying out the investigations required of it.

VI. QUESTIONS IN ABEYANCE

The granting of the postponement is also subject to the settlement, to the satisfaction of the Reparation Commission, of certain questions now pending, which will form the subject of a further communication.

(Signed) DUBOIS.
DELACROIX.
BRADBURY.
D'AMELIO.